

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 IO-13 SAJ-01 OMB-01 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01

SP-02 SS-15 USIA-15 EB-07 CU-04 TRSE-00 ACDA-10

CIEP-02 FRB-01 CEA-01 COME-00 LAB-04 SIL-01 HEW-06

AF-06 STR-04 ITC-01 XMB-04 /135 W
----- 086733

R 151815Z APR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8187

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: PINT, PFOR, EEC, GW

SUBJECT: EUROPEAN, ECONOMIC ASPECTS OF CHANCELLOR'S
BUNDESTAG SPEECH

REF: BONN 6159

1. CHANCELLOR SCHMIDT'S APRIL 8 ADDRESS TO BUNDESTAG
BROKE NO NEW SUBSTANTIVE GROUND BUT REITERATED FRG
COMMITMENT TO EUROPEAN UNIFICATION AND SPD/FDP PLANS
FOR DOMESTIC ECONOMIC/SOCIAL REFORM. TO SUPPLEMENT
REF, EMBASSY OFFERS PRECIS OF SCHMIDT REMARKS RE
EUROPE AND ECONOMY. FBIS CARRIED FULL TRANSLATION.

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2. CHANCELIOR'S BASIC THESIS WAS THAT FRG MUST

CONTINUE TO DEVELOP ITS ECONOMIC AND SOCIAL PROGRAMS IN ORDER TO MAKE FURTHER CONTRIBUTION WITHIN EC, AND ON WORLD STAGE. HE CALLED EUROPEAN UNIFICATION "VITAL NECESSITY" FOR FRG, AND NOTED THAT FRG MAKES LARGEST SINGLE CONTRIBUTION TO EC. (CHANCELLOR ADDED THAT FRG ANNUALLY OVERPAYS BRUSSELS BY SOME DM 1.5 BILLION, DUE TO OUTDATED ACCOUNTING SYSTEM). IN KEY PASSAGE, SCHMIDT DECLARED THAT FRG WILL MAKE FURTHER SACRIFICES ONLY IF ITS PARTNERS SHOW ECONOMIC AND SOCIAL EFFORTS WHICH, ADDED TO FRG CONTRIBUTION, LEAD TO PROGRESS FOR EUROPE (PARA 1 REF). A CONSISTENT ECONOMIC AND SOCIAL POLICY RELYING ON A RESPONSIBLE DEPARTMENT OF MANAGEMENT AND LABOR HAS LED TO A HIGH DEGREE OF STABILITY IN THE FRG, STATED THE CHANCELLOR. BUT DIFFERENT DEVELOPMENTS IN OTHER COUNTRIES HAVE CREATED A VERY DIFFICULT SITUATION FOR EUROPEAN POLICY. FRANCE'S DEPARTURE FROM THE SNAKE WAS A CONSEQUENCE OF THIS STATE OF AFFAIRS, WHICH IS TO BE REGRETTED. SCHMIDT ASSERTED THAT THE FRG HAD BEEN PREPARED TO REVALUE TO PRESERVE THE COHESION OF THE "SNAKE". HE REJECTED THE ARGUMENT THAT THE EUROPEAN PARTNERS SHOULD MEET ON A MEDIUM LINE OF STABILITY POLICY WHICH HE SAID WOULD MEAN THAT THE FRG WOULD INTENTIONALLY ACCEPT INFLATION IN ORDER TO ACHIEVE SOME DEGREE OF RAPPROCHEMENT WITH THE OTHERS, WHICH HE SAID HAD BEEN SERIOUSLY ASKED OF GERMANY.

3. SCHMIDT SPELLED OUT DIFFERENTIATED ECONOMIC TRENDS -- MONEY SUPPLY, UNIT COSTS, VALUE OF CURRENCIES, IMPORT PRICES, COST OF LIVING, LABOR DEVELOPMENTS, REAL GROWTH IN GNP -- TO ILLUSTRATE SUCCESS OF FRG ECONOMY AND DOLDRUMS OF EUROPEAN INTEGRATION OVER PAST TWO YEARS. LEITMOTIF IN SPEECH WAS COMMENT THAT FRG HAS ACQUIRED INTERNATIONAL PRESTIGE DUE TO INTERNAL STABILITY, SOCIAL SECURITY, ECONOMIC EFFICIENCY, AND OSTPOLITIK. AT SAME TIME, SCHMIDT REMINDED BUNDESTAG THAT FRG IS NOT WORLD POWER, AND HE WARNED AGAINST ANY IDEA

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THAT FRG SHOULD HAVE "LEADERSHIP CLAIMS" IN EUROPE.

4. AS PARTIAL OFFSET TO FAILURE OF EC TO HARMONIZE ITS MONETARY/ECONOMIC POLICIES, SCHMIDT LISTED RECENT EC ACHIEVEMENTS: UK REFERENDUM, GREEK APPLICATION FOR MEMBERSHIP, EVENTS IN IBERIA, SUCCESSFUL FLOATING OF EC LOANS, LOME CONVENTION.

5. SPEAKING OF LUXEMBOURG SUMMIT, CHANCELLOR NOTED THAT EC PARTNERS HAD NOT BEEN ABLE TO ACCEPT FRG PROPOSALS FOR ECONOMIC GUIDELINES AND DISCIPLINE. HE REPEATED STRONG FRG OPPOSITION TO "MONETARY-POLITICAL TRICKS" WHICH MIGHT PAPER OVER HARSH TRUTHS.

6. SCHMIDT ENUMERATED STANDARD FRG VIEWS IN SUPPORT OF TINDEMANS' BASIC IDEAS. HE SAID FRG WANTED DIRECT ELECTIONS TO EUROPEAN PARLIAMENT, AND WOULD ACCEPT "ANY COMPROMISE" TO THAT END. (HE CITED

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SPECIFICALLY "VERY INTELLIGENT" PROPOSAL BY GISCARD.)

HE ALSO MENTIONED FRG SUPPORT FOR PARLIAMENT WITH
ENHANCED AUTHORITY, AND FOR STRENGTHENED EC
COMMISSION WHOSE PRESIDENT HAS VOICE IN PICKING
FELLOW COMMISSIONERS.

7. TURNING TO DOMESTIC ECONOMIC FIELD, THE
CHANCELLOR IDENTIFIED THE GAINING OF FULL EMPLOYMENT
AS THE NUMBER ONE TASK WITH THE CREATION OF NEW
TRAINING OPPORTUNITIES FOR YOUNG PEOPLE BEING
SINGLED OUT AS NECESSARY FOR SOCIAL PEACE. THE BIG
DECREASE IN UNEMPLOYMENT IN MARCH WAS HIGHLIGHTED
AND PREDICTED TO CONTINUE. HOWEVER, WAGE RESTRAINT
WAS CITED AS NECESSARY TO INSURE EMPLOYMENT. WHILE
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SCHMIDT POINTED OUT THAT THE FRG HAS BEEN IN AN
UPWARD TREND SINCE THE MIDDLE OF LAST YEAR, HE ALSO
SAID THERE REMAIN GRAVE STRUCTURAL PROBLEMS. WORLD
TRADE LOOKS HOPEFUL WITH THE U.S. BEING A FAVORABLE
INFLUENCE IN THIS REGARD. INFLATION IS EBBING
SLIGHTLY. FUTURE DEVELOPMENT, HE SAID, WILL DEPEND
VERY MUCH ON A SUFFICIENT GROWTH IN INVESTMENTS
WHICH WERE LINKED TO JOB CREATION, AS WELL AS AN
IMPROVEMENT IN BUSINESS PROFITS. THE CHANCELLOR
STATED THAT THE FEDERAL GOVERNMENT ASSESSMENT
OF THE SITUATION HAS BEEN WIDELY SUPPORTED BY THE
ECONOMIC RESEARCH INSTITUTES.

8. THE CHANCELLOR STATED THAT THE RISK EXISTS
THAT OTHER COUNTRIES PRESSURED BY UNEMPLOYMENT
AND DOMESTIC POLITICAL INSTABILITY, MIGHT REACT
IN A SHORTSIGHTED WAY. IN THIS CONNECTION HE
NOTED THE TENDENCY TOWARD PROTECTIONISM AND ALSO
EMPHASIZED THE NEED FOR MONETARY MANAGEMENT BY
CENTRAL BANKS THAT WOULD BE AIMED AT STABILITY.
HILLENBRAND

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